Exhibit C

Willis Towers Watson Declaration

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	**Chapter 11**
PURDUE PHARMA L.P., ***et al.*****,**	**Case No. 19-23649 (RDD)**
Debtors.[1]	**(Jointly Administered)**

DECLARATION OF JOSEPHINE GARTRELL IN SUPPORT OF THE MOTION OF DEBTORS FOR ENTRY OF ORDER AUTHORIZING IMPLEMENTATION OF A KEY EMPLOYEE INCENTIVE PLAN AND KEY EMPLOYEE RETENTION PLAN

I, Josephine Gartrell, being fully sworn, hereby declare that the following is true to the best of my knowledge, information and belief:

[1] The Debtors in these cases, along with the last four digits of each Debtor's registration number in the applicable jurisdiction, are as follows: Purdue Pharma L.P. (7484), Purdue Pharma Inc. (7486), Purdue Transdermal Technologies L.P. (1868), Purdue Pharma Manufacturing L.P. (3821), Purdue Pharmaceuticals L.P. (0034), Imbrium Therapeutics L.P. (8810), Adlon Therapeutics L.P. (6745), Greenfield BioVentures L.P. (6150), Seven Seas Hill Corp. (4591), Ophir Green Corp. (4594), Purdue Pharma of Puerto Rico (3925), Avrio Health L.P. (4140), Purdue Pharmaceutical Products L.P. (3902), Purdue Neuroscience Company (4712), Nayatt Cove Lifescience Inc. (7805), Button Land L.P. (7502), Rhodes Associates L.P. (N/A), Paul Land Inc. (7425), Quidnick Land L.P. (7584), Rhodes Pharmaceuticals L.P. (6166), Rhodes Technologies (7143), UDF L.P. (0495), SVC Pharma L.P. (5717) and SVC Pharma Inc. (4014). The Debtors' corporate headquarters is located at One Stamford Forum, 201 Tresser Boulevard, Stamford, CT 06901.

1. I am a Director at Willis Towers Watson PLC ("**Willis Towers Watson**"). Willis Towers Watson has been engaged by Purdue Pharma L.P. and its above captioned wholly owned direct and indirect subsidiaries (collectively, the "**Debtors**" or the "**Company**") to provide compensation consulting services and to serve as advisors to the Board's Compensation and Talent Committee (the "**Compensation Committee**"). I am familiar with the structure of the Debtors' pre- and post- petition compensation plans, including the Debtors' proposed key employee incentive plan (the **"KEIP"**) and the Debtors' key employee retention plan (the **"KERP"**).

2. I submit this declaration (this "**Declaration**") on behalf of Willis Towers Watson in support of the *Motion of Debtors for Entry of an Order Authorizing Implementation of a Key Employee Incentive Plan and a Key Employee Retention Plan.* [2] I am authorized to submit this Declaration on behalf of the Debtors.

3. Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge, my review of the KEIP and KERP, my team's and my research into compensation practices for companies in the biopharma industry and general industry, as well as other companies that have recently filed for chapter 11 protection, and information supplied to me by members of the Debtors' management team and the Debtors' other advisors. For the reasons described below, it is my opinion that the KEIP and KERP are appropriate and reasonable. If called upon to testify, I would testify competently to the facts set forth in this Declaration.

QUALIFICATIONS AND BACKGROUND

[2] Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the *Motion of Debtors for Entry of an Order Authorizing Implementation of a Key Employee Incentive Plan and a Key Employee Retention Plan*.

A. Qualifications

4. I received my Juris Doctor from University of San Diego School of Law in 1998, graduating Magna Cum Laude and Order of the Coif, and my Bachelor of Arts in international business from San Diego State University in 1994. After working at Gibson Dunn as an associate in the corporate practice, Pillsbury Winthrop as an associate in the executive compensation practice, and The Loftin Firm, P.C. where I was a partner and then of counsel in the corporate practice, I became an executive compensation consultant at the Hay Group LLC in 2014. I joined Willis Towers Watson in 2016 where I have been continuously employed ever since.

5. Willis Towers Watson is an international professional services firm that offers a wide variety of services to public and private clients, including expert analysis of executive and management compensation. Willis Towers Watson designs and delivers solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Willis Towers Watson focuses on four key business segments: corporate risk and brokering; human capital and benefits; exchange solutions; and investment, risk, and reinsurance.

6. My responsibilities at Willis Towers Watson have primarily involved consulting to for-profit companies and not-for profit organizations, specifically regarding executive compensation. I routinely work with public and private companies in various industries regarding compensation philosophy, pay competitiveness, incentive plan design, and other compensation-related analyses and have participated in the development and design of hundreds of management and employee incentive plans for companies in and outside of bankruptcy.

7. I am highly experienced in executive, management, and employee compensation with over 20 years of experience in the field. During my tenure at Willis Towers Watson, I have

worked closely with a range of companies undergoing a financial restructuring in developing a variety of pre-petition and post-petition compensation arrangements, including compensation plans and programs for senior executive and non-executive employees. Specifically, I have led or co-led the review and design of key employee incentive plans, key employee retention plans, and other similar plans in a number of chapter 11 cases, including *Aegean Marine Petroleum Network Inc., et al.*, Case No. 18-13374 (MEW) (Bankr. S.D.N.Y.); *In re ATD Corporation, et al.*, Case No. 18-12221 (KJC) (Bankr. D. Del.); *In re Claire's Stores Inc., et al.*, Case No. 18-10584 (MFW), (Bankr. D. Del.); *In re Cloud Peak Energy Inc.*, Case No. 19-11047 (CSS) (Bankr. D. Del.); *In re FULLBEAUTY Brands Holdings Corp., et al.*, Case No. 19-22185 (RDD) (Bankr. S.D.N.Y.); *In re Parker Drilling Company, et al.*, Case No. 18-36958 (MI) (Bankr. S.D. Tex.); *In re PES Holdings, LLC*, Case No. 19-11626 (LSS) (Bankr. D. Del.); *In re Westmoreland Coal Company, et al.*, Case No. 18-35672 (DRJ) (Bankr. S.D. Tex.).

B. Background

8. Since Willis Towers Watson was retained by the Debtors, I, in coordination with my team at Willis Towers Watson, have familiarized myself with the Debtors' operations, business goals, pre- and post-petition compensation practices and the proposed KEIP and KERP. As part of this process, Willis Towers Watson conducted pay benchmarking for all employees by gathering and analyzing relevant market compensation data, including total direct compensation offered by companies in Willis Towers Watson's 2019 CDB Pharmaceutical and Health Sciences Executive Compensation Survey Report and participants in Willis Towers Watson's 2019 Pharmaceutical Executive Compensation and Middle Management, Professional and Support Surveys. Among other things, my team and I provided input and advice on the design, structure, and total cost of the KEIP and KERP. In connection with this process, Willis Towers Watson worked closely with

the Debtors' senior management team and its other advisors. Additionally, Willis Towers Watson leveraged its own experience designing programs for similarly situated companies, both inside and outside of chapter 11 bankruptcy. The KEIP and KERP reflect the input and guidance provided by myself and my colleagues at Willis Towers Watson.

9. Importantly, the KEIP and the KERP were subject to oversight, review, and approval by the Compensation Committee, and the CEO's proposed participation in the KEIP was additionally reviewed and approved by the Board. Willis Towers Watson was involved in and consulted on the design of the KEIP and the KERP, and prior to approval of the KEIP and the KERP, Willis Towers Watson presented its analysis of their appropriateness and reasonableness to the Debtors' senior management, the Compensation Committee and, with respect to the CEO's participation in the KEIP, the Board. Willis Towers Watson's primary goal in the course of these interactions was to develop its independent assessment of the KEIP and the KERP as appropriate and reasonable drawing directly upon the specific needs of the Debtors, relevant market data and Willis Towers Watson's experience in designing comparable programs for similarly situated companies.

10. The Debtors commenced these Chapter 11 Cases to maximize the value of the Debtors' estates for their stakeholders. Recognizing the unique facts of these Chapter 11 Cases and that employee performance will play a critical role in achieving a favorable outcome for all parties, the Debtors in conjunction with Willis Towers Watson and their other advisors undertook a deliberative process to design appropriate and reasonable compensation programs for 2020 and with respect to the treatment of LTRP awards scheduled to vest and/or be paid in the future. The culmination of that work resulted in the KEIP, which is designed to incentivize eight crucial senior level insider employees (the "**KEIP Participants**") to achieve challenging financial and

operational targets, and the KERP, which is designed to retain all other eligible employees of the Debtors (the "**KERP Participants**") during the pendency of these Chapter 11 Cases.

KEY EMPLOYEE INCENTIVE PLAN

A. Overview of the KEIP.

11. Prior to commencing these Chapter 11 Cases, Purdue maintained a performance-based annual incentive plan ("**AIP**") for executives and select employees, as well as a performance-based long-term results plan (**"LTRP"**) for executives and select senior level employees. The proposed KEIP is, in many ways, an extension of the executive level pay-for-performance standard that was established through the prepetition AIP and LTRP.

12. The KEIP is designed to incentivize the KEIP Participants to achieve the targeted business performance goals (the "**Performance Metrics**") set out in Purdue's 2020 Corporate Scorecard (the "**Scorecard**"). The KEIP Participants were identified by the Debtors' management team with the advice of its other advisors.

13. The KEIP establishes a sliding scale of potential award opportunities based on the extent to which the Debtors succeed in accomplishing the goals set out in the Scorecard. The table below shows two levels of weighted performance targets which modify KEIP awards to potentially be earned based on the Scorecard performance, with interpolation for performance between the levels:

Threshold	Target/Max
75%	100%

14. The fiscal year 2020 total maximum potential award opportunity under the KEIP will not exceed $9,866,000 in the aggregate and is to be paid 50% in October 2020 and the remaining 50% in January 2021 (the "**KEIP Award**"). The October 2020 payment will assume target level performance and the January 2021 payment will include a true-up, if any, including a

potential clawback of the prior payment if threshold or target performance is not met. Payments will also be subject to clawback if the KEIP Participant resigns or is terminated for any reason other than by the Debtors without cause prior to the earlier of the Debtors' emergence from these Chapter 11 Cases or March 15, 2021. If the Debtors emerge from these Chapter 11 Cases at any time prior to any outstanding payment date, any remaining KEIP Award payments would be accelerated and paid at the target KEIP Award value. All amounts payable under the KEIP Awards will be subject to acceleration in the event of a termination of employment by the Debtors without cause. This structure maintains the inherent retention value of the historic payment of AIP and LTRP amounts in March of the year following the year in which they are earned.

15. The titles of the individual KEIP Participants and their respective proposed KEIP Award opportunities are identified in the table below. The target KEIP Award amounts reflect for each KEIP Participant the sum of (a) the target amount of the 2020 AIP award the KEIP Participant otherwise would have been eligible to receive, and (b) the LTRP payout otherwise due to be paid to the KEIP Participant in 2021, with such LTRP payouts subject to a 25% reduction for KEIP Participants other than the CEO, who has agreed to a 47% reduction, and the General Counsel, who has agreed to a further $250,000 reduction in his compensation in addition to the 25% reduction in LTRP payouts. I understand that the Company calculated that such reductions, together with reductions to the 2021 LTRP payout amounts of other participants as discussed below, are, in the aggregate, greater than the amount of the 2021 LTRP payouts tied to pre-2018 performance. So that the brunt of the brunt of the 2021 LTRP reductions would not be on non-insider employees, I understand that the Compensation Committee determined that the reductions should be implemented for all KEIP Participants.

KEIP Participant	**Payout Range = 75% to 100%**	
	Threshold KEIP Award	**Target/Max KEIP Award**
President & Chief Executive Officer	$2,640,000	$3,520,000
Executive Vice President, General Counsel	$1,964,000	$2,619,000
Executive Vice President, Chief Financial Officer	$750,000	$1,000,000
Senior Vice President, Intellectual Property Law & Public Health Initiatives	$508,000	$678,000
Chief Technical Operations Officer	$519,000	$691,000
President, Imbrium Therapeutics	$468,000	$624,000
President, Rhodes Pharmaceuticals	$279,000	$372,000
President, Rhodes Technologies	$272,000	$362,000
Total	**$7,400,000**	**$9,866,000**

16. The Target KEIP Award **replaces** the 2020 AIP and the LTRP payouts that would have been paid to the KEIP Participants in 2021 and is **not** new or additive to past practice. Additionally, to align with past practice, each KEIP Participant will receive a long-term award designed to mimic the economic structure of the LTRP grant they otherwise would have received in 2020, payable in 2023, which is consistent with the Debtors' longstanding compensation practices. The target amount of these long-term awards includes a 50% concession as compared to the target 2020 LTRP grant that otherwise would have been granted. Given the uncertainty of the timing of emergence from these Chapter 11 Cases, the Compensation Committee determined that it was in the best interest of the Debtors and the post-emergence entities to not apply metrics to the long-term award for years subsequent to 2020. The actual payouts will be based on the same Performance Metrics that apply to the KEIP Award that are described below and therefore will depend solely on the Company's performance in 2020. These long-term awards would **not** accelerate upon emergence from the Chapter 11 Cases but will accelerate upon a termination of

employment by the Debtors without cause. The maximum aggregate amount of such payments is $2,200,000.

17. Each KEIP Participant will also be eligible to receive payment of LTRP amounts due in 2022. All LTRP payments due in 2022 (including those payable under the non-insider KERP) will be subject to a 22% reduction to the payment due to the CEO and a 12% reduction for other KEIP Participants. I understand that, as with the LTRP payments due in 2021, the Company calculated that such reductions, together with reductions to the 2022 LTRP payout amounts of other participants as discussed below, are, in the aggregate, greater than the amount of the 2022 LTRP payouts tied to pre-2018 performance. So that the brunt of the 2022 LTRP reductions would not be on non-insider employees, I understand that the Compensation Committee determined that the reductions also be implemented for the KEIP Participants. The same Performance Metrics that apply to the KEIP Award will be applied to uncompleted performance periods with respect to such LTRP, while completed performance periods will remain subject to their existing performance scores. Except as set forth above, such payments will be paid under the existing LTRP terms but subject to acceleration in the event of a termination of employment by the Debtors without cause. The aggregate target amount—and maximum amount—of such payments is $3,700,000.

B. Performance Metrics.

18. The KEIP is purely incentive based. The KEIP Awards will be conditioned on the KEIP Participants' ability to meet the Performance Metrics set out in the Scorecard, thus ensuring that the KEIP Participants are properly incentivized to work toward a value-maximizing restructuring of the Debtors' estates during this critical stage of these Chapter 11 Cases. In early 2020, the Compensation Committee, with guidance from Willis Towers Watson, identified and

approved certain Performance Metrics that could be applied to any incentive compensation programs adopted by the Debtors. Payout of these awards is based on the achievement of corporate performance objectives for the 2020 performance. At the time Performance Metrics were originally established, further development of 2020 compensation programs was paused in response to the uncertainty in the Debtors' business outlook stemming from the COVID-19 pandemic. However, when discussion of 2020 compensation programs resumed, the Compensation Committee, with input from Willis Towers Watson, determined that the originally developed Scorecard remained well-balanced to motivate the workforce and should continue to apply to performance under the KEIP Awards. The KEIP Awards thus rely on the same three strategic pillars historically applied to the AIP: (i) value creation (representing 40% of the Target KEIP Award); (ii) innovation and efficiency (50% of the Target KEIP Award); and (iii) people and culture (10% of the Target KEIP Award).

19. The Scorecard's value creation metric is designed to measure and reward the long-term success of the Debtors' business based on certain nonfinancial operational goals, such as meeting certain deadlines with respect to its testing and development of overdose treatment products and other non-opioid products. **Table 2** below sets forth certain key operational and developmental goals that the Debtors have identified as critical to the long-term success of the Debtors' business.

TABLE 2

2020 Value Creation Performance Metrics	2020 Performance Target	% of Value Creation	% of Target KEIP Award
Public Health Initiatives[3]			

[3] All medications referred to in this section are potential treatments for opioid overdose.

➢ **Intranasal Naloxone**: Formalize agreement(s) and provide support for the non-profit development of intranasal naloxone with HRT to allow first patient in Phase 1 ➢ **Nalmefene**: ANDA Filed by Vial with Competitive Generic Therapy (CGT) Designation ➢ **Nalmefene**: Complete Engineering Batches for Nalmefene Prefilled Syringe ➢ **Nalmefene**: Complete Nalmefene Autoinjector Formulation Development Work	End of Q3 2020 End of Q4 2020 End of Q4 2020 End of Q4 2020	45.0%	18.0%
Research & Development[4]			
➢ **OAG**: Complete Last Patient Randomized in Proof-of-Concept Phase 2 Trial OAG2002 ➢ **OAG**: Complete In Life Portion for Chronic Toxicology Studies, 6M rat and 9M dog	End of Q4 2020 Q3 2020 and Q4 2020, respectively	15.0%	6.0%
➢ **Tinostamustine**: Advancement of Clinical Program	Q3 2020	15.0%	6.0%
Rhodes			
➢ **Generic Medication-Assisted Treatment Product**: Launch	Q4 2020	2.5%	1.0%
➢ **Generic Migraine and COPD Medications**: Submit DHE ANDA	End Q4 2020	6.25%	2.5%
➢ **Generic ADHD Treatment**: ANDA Submission	Q2 2020	6.25%	2.5%
➢ **Generic Treatment for Intestinal Parasites**: ANDA Submission	Q3/Q4 2020	5.0%	2.0%
➢ **Generic Nausea Prevention Medication**: Manufacture Exhibit Batches and Close the BE Study	Q4 2020	5.0%	2.0%
Total		**100%**	**40%**

[4] OAG refers to a potential treatment for insomnia associated with alcohol cessation. Tinostamustine refers to a potential cancer treatment.

20. The Scorecard's innovation and efficiency metric is designed to capture key financial and operational goals, including important business metrics such as operating profits, net sales and operating losses. **Table 3** below sets forth certain key financial and operational goals that the Debtors have identified as critical to the long-term success of the Debtors' business.

TABLE 3

2020 Innovation and Efficiency Performance Metric[5]	2020 Performance Target	% of Innovation and Efficiency	% of Target KEIP Award
Purdue Branded Business Operating Profit	$115M	20%	10%
Adhansia XR Net Sales	$18M	10%	5%
Adhansia XR Operating Loss[6]	($44M)	15%	7.5%
Avrio Net Sales	$85M	10%	5%
Avrio Operating Profit	$8.6M	15%	7.5%
Rhodes (RALP) Operating Loss	($35M)	30%	15%
Total		**100%**	**50%**

21. As I understand it, the People and Culture metric includes:

- Organizational education
- Development of a transition plan
- A review to determine whether the Debtors' estates have been properly positioned for transition to their post-emergence roles

C. Evaluation of the KEIP.

22. In assessing the appropriateness and reasonableness of the KEIP, I worked with my

[5] Adhansia XR is a Central Nervous System (CNS) stimulant prescription medicine used for the treatment of ADHD in people six years of age and older. Avrio Health L.P. is a wholly owned subsidiary of the Debtors which produces over-the-counter consumer health products, including Betadine (a wound care product), Colace (a stool softener), Senokot (a laxative) and SlowMag Mg (a magnesium supplement).

[6] The operating loss metric relates to Adhansia, which was recently launched and still in the growth phase.

team to analyze competitive target/max total direct compensation, a standard benchmark that includes base salary, short term incentives, and long-term incentives "**Total Direct Compensation**"), for all KEIP Participants.

23. As my primary reference point for the competitiveness of Total Direct Compensation of all KEIP Participants, my team and I analyzed the compensation opportunities of executives at relevant market comparators in the pharmaceutical industry. Specifically, my team and I matched the KEIP Participants to survey benchmarks at companies in Willis Towers Watson's 2019 CDB Pharmaceutical and Health Sciences Executive Compensation Survey Report, based on our understanding of each KEIP Participant's job duties and responsibilities within the Debtors' organization. For each survey benchmark, my team and I developed, where possible, revenue-adjusted survey data for Total Direct Compensation.

24. If the Debtors do not receive approval from the Court to implement the KEIP, Total Direct Compensation (currently representing only adjusted base salaries) for the KEIP Participants, in aggregate, would fall 16% below the market 25th percentile of Total Direct Compensation (excluding general counsel role) and 39% below the market median (excluding general counsel role). In other words, the KEIP Participants would be materially undercompensated versus comparable executives at similarly-sized organizations in the pharmaceutical industry. These circumstances could significantly undermine the Debtors' ability to motivate their senior management to achieve desired business objectives. It is also my experience that it would be highly uncommon for a distressed entity comparable to the Debtors' size and scope to fail to provide short- and long-term, cash-based incentive opportunities. The KEIP is, in part, designed to address some of this shortfall.

25. My team and I then compared to market the KEIP Participants' Total Direct

Compensation, both excluding and including the annualized values of certain prepetition retention awards (the "**Existing Non-Executive Retention Plan**"). Excluding Existing Non-Executive Retention Plan, the KEIP Participants' Total Direct Compensation, in aggregate, would fall 25% above the market median (excluding general counsel role) of the pharmaceutical industry and 12% below the market 75th percentile of the pharmaceutical industry (excluding general counsel role). Including the Existing Non-Executive Retention Plan, the KEIP Participants, in aggregate, would fall 18% above the market 75th percentile of the pharmaceutical industry (excluding general counsel role).

26. It is my understanding based on conversations with the Debtors and their other outside advisors that the CEO joined the Company in a non-executive position in 1999 and has served as CEO since June 2017. It is also my understanding that continuity in the CEO role is critical to the Debtors' success in these Chapter 11 Cases. Further, I understand that the Debtors, under the CEO's leadership, voluntarily stopped promoting opioid pain medications to prescribers through sales representatives and via other channels, such as in medical journals, and eliminated its opioid medication sales force. Last, the CEO has been instrumental in advancing the development of several opioid overdose reversal and addiction treatment medications.

27. Absent the KEIP, the CEO would be compensated significantly below market and the KEIP is designed to compensate for this shortfall. Specifically, the CEO's base pay falls 25% below the market 25th percentile of Total Direct Compensation and 48% below the market median of Total Direct Compensation. Adding incentives by way of the KEIP helps address the shortfall in competitive positioning compared to the market Total Direct Compensation.

28. Including the KEIP, the Debtors' CEO would fall between market median (+21%) and market 75th percentile (-16%) of Total Direct Compensation. This variance from the median

is justified based on my understanding of the CEO's extensive experience and expertise with the Debtors' business, and his stewardship through these Chapter 11 Cases. Moreover, the CEO's proposed KEIP award should be considered in the context of the substantial concessions he made with respect to 2019 compensation—when averaging the 2019 variance in compensation, including court-approved reductions, the CEO's compensation is positioned 8% above the 50^{th} percentile, and 25% below the 75^{th} percentile of Total Direct Compensation.

29. Similarly, I understand from discussions with the Debtors and their other outside advisors that the General Counsel is critical to the Debtors' operations and the success of these Chapter 11 Cases. Although the General Counsel's compensation is high compared to the market, his compensation—including the KEIP—is reasonable in light of my understanding of the importance of his role to the Debtors' successful operation during these Chapter 11 Cases and through emergence therefrom, as well as the Debtors' need of a highly credentialed and qualified general counsel in light of their present circumstances. I also understand that, in addition to the General Counsel's leadership prior to these immensely litigious and highly public Chapter 11 Cases, the Debtors' General Counsel faces the additional challenge of ensuring the future success of the Debtors' estates and the successful emergence from these Chapter 11 Cases. Moreover, I am informed that when the General Counsel accepted the role with the Debtors, he forewent similar opportunities at other companies offering notably higher compensation packages. Accordingly, the General Counsel's compensation—including the KEIP—is reasonable in light of the aforementioned facts and circumstances as I understand them to be; again and particularly, the immense challenges he faces in his role with the Debtors and his significant experience and expertise.

30. Based on the results of these benchmarking analyses, and my experience with other

incentive compensation arrangements implemented in Chapter 11 cases, I believe the KEIP and the KEIP Participants' potential Total Direct Compensation levels are appropriate in light of competitive market practice for companies like the Debtors that operate in the pharmaceutical industry, and reasonable in light of the Debtors' current circumstances. Critically, the absence of both short- and long-term incentive opportunities for the KEIP Participants significantly undermines the current competitiveness of the Debtors' compensation structure, which in turn could negatively impact the Debtors' ability to motivate current management to achieve desired business objectives.

31. To assess the appropriateness and reasonableness of the design of the KEIP, I analyzed 20 comparable examples (general industry) of key employee incentive plans approved since 2016 with company revenues between $500 million and $5 billion. These companies include: Appyion, Inc.; Avaya, Inc.; Bristow Group Inc.; Ciber, Inc.; Claire's Inc.; Cloud Peak Energy Inc.; Cumulus Media Inc.; Ditech Holding Corporation; Ezra Holdings Limited; FirstEnergy Solutions Corp.; FTD Companies, Inc.; Gander Mountain Company Inc.; GenOn Energy; hhgregg, Inc.; Marsh Supermarkets; Payless Inc.; PHI, Inc.; Real Industry, Inc.; Velocity Holdings Company, Inc.; and Westinghouse Electric Company LLC.

32. In conducting this analysis, I also relied upon my significant consulting experience in the analysis and design of incentive plans generally at other companies.

33. To assess the appropriateness and reasonableness of the cost of the Target KEIP Award, my team and I reviewed the proposed target and maximum cost (Target = Maximum for Target KEIP Award) of the KEIP expressed in the following two ways: (i) as an aggregate amount, and (ii) as a percentage of the Debtors' revenue. This comparison can be observed in the table below:

Aggregate KEIP Cost vs Market	Purdue Target/Max Performance and Payout	Market 50th Percentile		Market 75th Percentile		Market 90th Percentile	
		Target	Max	Target	Max	Target	Max
$000s	$9,866	$5,000	$6,700	$10,300	$12,300	$13,300	$26,300
Percentage of Revenue	0.77%	0.47%	0.56%	0.73%	0.97%	1.11%	2.26%

D. Appropriateness of the KEIP.

34. For the aforementioned reasons and based on my experience with incentive-based compensation programs employed by companies in Chapter 11, I believe the design, structure, cost and individual opportunities available under the Debtors' KEIP is appropriate and consistent with market practice.

E. Reasonableness of the KEIP

35. The KEIP Participants are managing the Debtors during a challenging time for the Debtors, in which they navigate difficult terrain as they seek to emerge from bankruptcy. It is my understanding that the Debtors and KEIP Participants face immense challenges that go beyond those typically faced by companies in Chapter 11.

36. Moreover, Target KEIP Awards are substantially similar to the KEIP Participants' historical annual AIP award and LTRP payouts. While the total cost of the proposed KEIP Awards is higher than the 2019 AIP and LTRP payouts made in 2020, this difference is driven chiefly by (i) the CEO's agreement to a substantial one-time reduction in compensation otherwise due to him in 2020 as a show of good faith to the Debtors' stakeholders and as part of an overall agreement to speed approval of incentive compensation program for the rest of the workforce and (ii) the fact that the General Counsel, hired in 2018, was not entitled to an LTRP payout in 2020 but would be for the first time in 2021.

37. It is my understanding that the challenges faced by the CEO, the General Counsel and the other KEIP Participants have been significantly increased during these Chapter 11 Cases due to the extremely complex and highly litigious nature of the bankruptcy case. The Debtors have determined that it is appropriate to continue to compensate the CEO in line with his historic compensation (which is in line with market rates) and not to insist upon continuation of his extraordinary concessions relating to 2019 compensation given the increased responsibilities imposed on him in the course of these Chapter 11 Cases as well as the additional challenging task of ensuring the future success of the Debtors' estates and facilitating a successful restructuring. The Debtors have similarly determined that it is appropriate to compensate the General Counsel to account for his extraordinary stewardship during these litigious Chapter 11 Cases and incentivize him to continue to lead the Debtors towards a successful restructuring. I understand that the Debtors require a General Counsel with the highest level of expertise, and resilience; a true strategic advisor to the CEO. It is also my understanding that the incumbent General Counsel was an external hire who was identified as one of the only candidates who could fill the role under the circumstances at the time of hire and currently. Accordingly, the Debtors' incentive-based compensation programs for the CEO, General Counsel, and other KEIP Participants are appropriate in light of the circumstances faced by the Debtors in this restructuring.

38. For these reasons and based on my experience with incentive-based compensation programs employed by companies in Chapter 11, as well as the environment in which the Debtors are operating, I believe the design, structure, cost and individual opportunities available under the Debtors' KEIP are reasonable.

KEY EMPLOYEE RETENTION PLAN AND TARGETED RETENTION PLAN

A. Overview of the KERP.

39. The KERP Participants consist of approximately 612 incentive-eligible employees, of which 17 hold a position of Vice President or higher and 595 will be middle management and professional employees. None of the KEIP Participants are eligible to participate in the KERP, and no KERP Participant is an insider. Each KERP Participant will receive (i) an award (a "**KERP Award**") comprised of replacement of the KERP Participants' 2020 AIP and LTRP payouts due in 2021, (ii) a long-term incentive compensation grant payable in 2023, (iii) partial payment of prepetition LTRP grants that are payable in 2022 (reduced as discussed below) and full payment of the prepetition LTRP grants that are payable in 2023. Certain KERP Participants will also receive additional targeted retention payments.

40. Each KERP Participant's KERP Award is equal to the sum of the target amount of the AIP award they otherwise would have been eligible to receive for 2020 and the LTRP payout they would otherwise have expected to be paid in 2021 subject to a 21% reduction for KERP Participants with a title of Vice President or higher at the time of the grant and 11% for KERP Participants with a title less senior than Vice President at the time of the grant. As noted above, I understand that the Company calculated that aggregate 2021 LTRP payments (considering both KEIP and KERP Participants) will be reduced in an amount greater than the amount of the 2021 LTRP payouts tied to pre-2018 performance.

41. As with the KEIP, the KERP Award <u>replaces</u> the 2020 AIP award and LTRP payouts that would ordinarily be due in 2021 and is <u>not</u> new or additive to past practice.

42. The KERP Award is not subject to additional performance criteria to provide the KERP Participants with greater compensation certainty. This is intended to help retain KERP

Participants under the present challenging and uncertain conditions.

43. KERP Awards will be paid as follows: (i) 50% paid in October 2020 and (ii) the remaining 50% paid in January 2021. Other than for hourly employees, KERP Award payments are subject to a clawback if the KERP Participant resigns or is terminated for any reason other than by the Debtors without cause before the earlier of March 15, 2021 or emergence. Payments under the KERP Awards will be subject to each KERP Participant's continued employment through the applicable payment date, with acceleration in the event of a termination of the KERP Participant's employment by the Debtors other than for cause. In the event the Debtors emerge from bankruptcy any time prior to a payment date, the remaining full amount of the KERP Awards would accelerate and be payable. The total aggregate maximum payment under the KERP Awards is $21,600,000.

44. In addition, the Debtors believe that the Existing Non-Executive Retention Plan was particularly critical to preserving and maximizing the value of the Debtors' estates. The Debtors therefore seek to provide additional targeted retention awards to an identified group of key employees on a similar basis in an aggregate amount of up to $8,100,000 (the "**Targeted Retention Awards**"). The Targeted Retention Awards will be payable 50% in January 2021, and 50% in April 2021. Other than for hourly employees, Targeted Retention Award payments are subject to a clawback if, before end of day June 30, 2021, a Retention Eligible Employee resigns or is terminated for any reason other than by the Debtors for cause. Payments under Targeted Retention Awards will be subject to a Retention Eligible Employee's continued employment through the applicable payment date, with acceleration in the event of a termination of a Retention Eligible Employee's employment by the Debtors other than for cause. In the event the Debtors emerge from bankruptcy any time prior to a payment date or the expiration of the clawback, the remaining amount of the Targeted Retention Payment would accelerate and be payable and the

clawback would no longer apply.

45. Prior to the commencement of these Chapter 11 Cases, certain of the KERP Participants were granted LTRP awards that are payable in 2022 and 2023. Each such KERP Participant[7] will be entitled to payment in 2022 and 2023 on account of such prepetition LTRP awards at target value (or, with respect to completed performance periods, the amount previously set based on achievement during such period). As noted above, I understand that the Company calculated that the aggregate LTRP payments (considering both KEIP and KERP Participants) with respect to such years will be reduced by an amount greater than the amount of the LTRP payouts tied to pre-2018 performance. These reductions for KERP Participants will consist of a 9% reduction for KERP Participants with a title of Vice President or higher and a 5% reduction for KERP Participants with a title less senior than Vice President with respect to payouts in 2022 and no reduction with respect to payouts in 2023. Except as provided above, such payments will be paid under the existing LTRP terms but subject to acceleration in the event of a termination of employment by the Debtors without cause. The aggregate total of target LTRP payouts in 2022 and 2023 for all KERP Participants is $10,100,000 and $1,150,000, respectively.

46. Consistent with past practice, certain KERP Participants will receive a long-term award designed to mimic the economic structure of the LTRP grant that otherwise would have been granted to the KERP Participant in 2020 under Purdue's longstanding compensation practices. The amount of such grant will be equal to the target LTRP grants that otherwise would have been granted to the KERP Participant in 2020. The grant will not be subject to performance metrics. The aggregate total of these long-term awards for all KERP Participants is $10,200,000.

[7] KERP Participants include post-petition retirees for this purpose.

47. In assessing the appropriateness and reasonableness of the KERP, I worked with my team to analyze 17 comparable examples (general industry) of approved programs that capture all or a portion of pre-restructuring incentive plans since 2016 with company revenues between $500 million - $5 billion; these programs may take the form of incentive or retention programs depending on the company. These companies include: Appvion, Inc.; Arch Coal, Inc.; ATD Corporation; Basic Energy Services; Breitburn Energy Partners LP; Bristow Group Inc.; Cenveo, Inc.; Claire's Inc.; Cloud Peak Energy Inc.; Cumulus Media Inc.; Energy XXI Ltd.; FirstEnergy Solutions Corp.; Hexion Holdings LLC; Real Industry, Inc.; Verso Corporation; and Westmoreland Coal Company.

48. My team and I then compared the aggregate of KERP Participants' Total Direct Compensation both excluding and including the annualized values of the Existing Non-Executive Retention Plan, for both non-insider executives and middle management and professionals.

49. The aggregate market positioning is shown in the table below:

Employee Group	N	Variance to Market TDC (Purdue Target TDC)			Variance to Market TDC (Purdue TTDC + Retention)			Variance to Market TDC (Purdue Base Only)		
		P25	P50	P75	P25	P50	P75	P25	P50	P75
Non-Insider (Executive Survey)	58	28%	0%	-23%	55%	22%	-5%	-24%	-40%	-53%
Non-Insider (Middle Management & Professional Survey)	402	25%	7%	-8%	30%	11%	-4%	5%	-10%	-22%

Employee Group	N	Variance to Market TDC (Purdue Base + Proposal)			Variance to Market TDC (Purdue Base + Proposal + Retention)		
		P25	P50	P75	P25	P50	P75
Non-Insider (Executive Survey)	58	12%	-12%	-32%	40%	10%	-15%
Non-Insider (Middle Management & Professional Survey)	402	23%	5%	-10%	28%	9%	-6%

50. Based on the results of these benchmarking analyses, my experience in other incentive compensation arrangements implemented in Chapter 11 cases, and my understanding of the Debtors' challenges as represented by Debtors and their other outside advisors such as the environment in which the Debtors are operating, and the rate at which the Debtors are affected by employee attrition, I believe the KERP and the KERP Participants' aggregate Total Direct Compensation levels are appropriate and reasonable .

51. In conducting this analysis, I also relied upon my significant consulting experience in the analysis and design of retention plans.

52. To assess the appropriateness and reasonableness of the cost of the KERP, my team and I reviewed the proposed cost of the KERP expressed in the following two ways: (i) as an aggregate amount, (ii) as a percentage of the Debtors' revenue. This comparison can be observed in the table below:

Aggregate KERP Cost vs Market	**Purdue Target/Max Performance and Payout (without retention)**	**Market 50th Percentile**	**Market 75th Percentile**	**Market 90th Percentile**
$000s	$21,600	$10,800	$14,000	$24,600
Percentage of Revenue	1.68%	0.61%	1.02%	1.63%

53. To assess the appropriateness and reasonableness of the cost of the Targeted Retention Awards, my team and I reviewed the proposed cost expressed in the following two ways: (i) as an aggregate amount, (ii) as a percentage of the Debtors' revenue. This comparison can be observed in the table below:

Aggregate Cost vs Market	Purdue	Market 50th Percentile	Market 75th Percentile	Market 90th Percentile
$000s	$8,100	$2,574	$3,725	$8,073
Percentage of Revenue	0.63%	0.20%	0.38%	0.71%

Also, in my experience, and the data shows, programs such as the Debtors' proposed KERP and Targeted Retention Awards are regularly utilized by similarly-situated companies to retain personnel such as the KERP Participants.

Appropriateness and Reasonableness of the KERP and Targeted Retention Awards

54. Based on my education, experience, and the work I have done in this case and in similar cases, I believe that the design, structure, cost, and award opportunities available under the KERP and Targeted Retention Awards are appropriate and reasonable given the facts and circumstances of these Chapter 11 Cases as I understand them.

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Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: September 9, 2020

/s/ *Josephine Gartrell*
Josephine Gartrell
Director
Willis Towers Watson PLC